

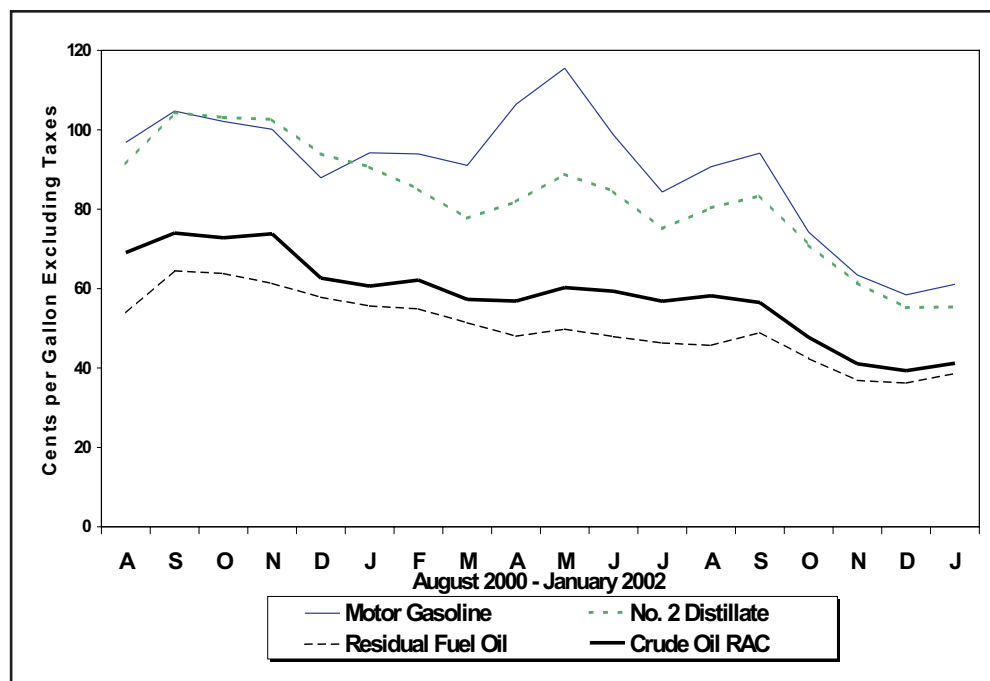
# Highlights

World crude oil prices increased slightly overall during January 2002, despite shifting trends. Prices began the new year on the upswing because of cold weather sweeping across Europe and reports of a drawdown in U.S. inventories. The official start of a new round of production cuts set by the Organization of Petroleum Exporting Countries (OPEC) and other major producers on January 1 also fostered price increases. However, the upturn in prices was short-lived as fundamental market factors and other issues asserted themselves. Rising finished product stocks, particularly in the United States, lethargic world demand for crude oil, comments made by U.S. Federal Reserve Chairman Alan Greenspan, and mounting concerns about compliance by participants to the production cuts agreement all contributed to a downturn during the middle portion of the month. While prices rebounded moderately toward the end of January, some market watchers felt the rise was not based on solid fundamentals and remained skeptical of an authentic revitalization without firm evidence of a general turnaround in world economies.

In the United States, January price trends for crude oil and finished products were tempered by robust inventories and periods of unseasonably mild temperatures in key regional markets. For the most part, prices were at their highest levels at the start of the month as finished products followed the lead set by crude oil, whose levels were driven by market technical factors and reports showing a decline in stocks. In the Northeast, temperatures were slightly below normal at

the beginning of January which lent a modest degree of support to heating fuels prices. By mid-month prices began to decline as stocks reports showed increased inventories. Notably, Federal Reserve Chairman Alan Greenspan made public comments indicating he believed it would benefit economic recovery if energy prices continued to fall. Lower energy costs would help stimulate long-term spending by households, he said. Refining margins continued at restrained levels throughout the month and with abundant imports of gasoline from Europe, the narrow margins caused some refiners to move planned maintenance on refining facilities forward. Runs cuts also helped to boost prices during the latter half of January. A look at current and year-ago monthly average spot market prices show that the average price for No. 2 heating oil at New York Harbor in January 2002, 53.6 cents per gallon, was 31 cents lower than in January 2001. The price for regular gasoline averaged 54.4 cents per gallon this year,

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	January 2002		December 2001		January 2001		January 2002		December 2001		January 2001	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	70.6	60.5	68.4	60.4	106.6	58.2	61.1	292.7	58.4	302.2	94.2	268.2
<b>Conventional</b> .....	69.1	33.1	67.2	33.5	103.2	32.7	59.1	188.9	56.8	195.7	91.4	174.4
Regular .....	66.1	24.9	64.0	25.2	100.2	24.7	57.6	154.2	55.3	159.1	89.8	141.9
Midgrade .....	74.8	4.3	72.8	4.3	109.4	4.5	62.9	10.9	60.5	11.1	95.9	11.4
Premium .....	82.4	3.8	81.1	4.0	116.7	3.5	67.4	23.9	64.6	25.5	100.0	21.1
<b>Oxygenated</b> .....	76.9	4.0	74.6	4.3	113.2	3.8	66.2	11.5	64.0	11.7	100.9	11.2
Regular .....	73.7	3.1	71.9	3.3	110.2	2.9	64.7	9.0	62.6	9.1	99.4	8.8
Midgrade .....	83.0	0.5	79.3	0.6	118.2	0.6	67.3	1.3	64.3	1.3	104.0	1.3
Premium .....	93.1	0.4	90.1	0.4	129.9	0.3	76.3	1.2	73.5	1.3	109.5	1.1
<b>Reformulated</b> .....	71.7	23.5	69.1	22.6	110.7	21.6	64.6	92.2	61.0	94.7	99.1	82.6
Regular .....	67.7	16.6	64.6	15.9	106.2	15.3	61.8	68.3	58.2	69.9	96.2	60.6
Midgrade .....	77.7	3.3	75.6	3.1	116.5	3.3	69.3	7.8	64.8	8.1	103.3	7.6
Premium .....	85.0	3.5	83.4	3.5	126.7	3.0	74.0	16.1	71.2	16.7	109.1	14.3
<b>Aviation Gasoline</b> .....	121.2	0.1	115.8	0.1	128.5	0.1	95.8	0.5	94.9	0.4	131.0	0.4
<b>Kerosene-Type Jet Fuel</b> .....	58.1	45.8	55.6	45.8	88.3	48.2	57.4	10.7	55.3	13.8	88.2	13.9
<b>Propane (Consumer Grade)</b> .....	38.1	3.3	40.2	4.1	82.3	2.3	37.6	43.1	38.1	47.5	86.4	50.8
<b>Kerosene</b> .....	97.4	0.2	97.7	0.2	126.0	0.4	62.1	3.2	58.6	2.8	107.3	4.1
<b>No. 1 Distillate</b> .....	68.1	0.5	68.2	0.4	103.3	0.6	63.2	2.9	64.2	3.1	109.9	3.5
<b>No. 2 Distillate</b> .....	60.7	23.8	61.1	22.4	96.7	29.2	55.4	132.3	55.2	121.8	90.6	132.4
No. 2 Fuel Oil .....	63.6	3.2	62.7	3.1	99.6	4.3	57.5	33.9	56.6	29.7	90.3	36.7
No. 2 Diesel Fuel .....	60.3	20.6	60.9	19.3	96.2	24.9	54.7	98.4	54.7	92.0	90.7	95.7
Low Sulfur .....	61.9	14.2	62.4	12.7	97.6	17.6	54.8	86.5	54.8	80.7	91.2	81.1
High Sulfur .....	56.8	6.4	57.9	6.6	92.6	7.3	53.6	11.9	54.6	11.3	87.9	14.7
<b>No. 4 Fuel<sup>a</sup></b> .....	57.1	0.5	53.5	0.4	86.2	0.7	55.6	0.1	56.3	0.1	81.5	0.3
<b>Residual Fuel Oil</b> .....	44.5	10.5	42.1	11.7	61.9	21.1	38.6	8.8	36.2	10.6	55.6	10.3
Sulfur Content not > 1 % .....	50.8	3.1	51.2	2.5	73.1	7.2	40.8	6.0	40.0	6.4	64.5	4.6
Sulfur Content > 1 % .....	41.9	7.5	39.7	9.2	56.2	14.0	33.7	2.8	30.6	4.2	48.5	5.7

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

while last year's average was 28.5 cents higher at 82.9 cents per gallon.

Additional January market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma continued to be influenced by lean demand and high stock levels in January. Opening at \$19.96 per barrel, the price rose to its high of \$21.47 per barrel on January 4, fostered by the latest round of production cuts by major producer/exporter

nations. Mostly because of lower demand due to refinery runs cuts and scheduled maintenance, the price dropped to its low of \$18.02 per barrel on January 18. Rebounding moderately after that, the price closed January at \$19.71, marginally lower than where it began the month.

- January monthly average crude oil prices rose moderately in all categories. The average domestic crude oil first purchase price increased 32 cents (2.1 percent), to \$15.86 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 36 cents (2.4 percent), to \$15.59 per barrel. The average landed cost of foreign crude oil increased 71 cents (4.4 percent), to \$16.71 per barrel.

- The average refiner acquisition cost for domestic crude oil climbed 51 cents (2.9 percent), to \$17.85 per barrel. The average cost of imported crude oil to U.S. refiners shows the largest change, rising 98 cents (6.1 percent), to \$16.93 per barrel. The composite refiner acquisition cost for crude oil increased 79 cents (4.8 percent), to \$17.31 per barrel.

## Petroleum Products

### *Motor Gasoline*

Although stocks of gasoline increased during the month, the daily spot price for regular gasoline at New York Harbor remained on a fairly solid course during January, reflecting in part the comparatively brisk demand for the product at this time of year. Opening at 53.6 cents per gallon, the price rose to its high of 60.1 cents per gallon on January 4. The price followed the general downward trend in the market during the next few weeks, hitting the month's low of 50.7 cents per gallon on January 17. Generally rising through the end of the month, the price closed at 53.1 cents per gallon, essentially the same as where it began January.

- In a reversal of the downward trend seen during the past several months, national average gasoline prices show increases across all categories. The average January price for retail sales of motor gasoline by refiners rose 2.2 cents to 70.6 cents per gallon. The average wholesale price climbed 2.7 cents to 61.1 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 2.6 cents to 71.7 cents per gallon. The average wholesale price rose 2.6 cents to 61.6 cents per gallon. The average dealer tank wagon (DTW) price increased 2.9 cents to 66.4 cents per gallon, while the average rack price rose 2.6 cents to 60.4 cents per gallon. The average price for bulk sales increased 2.4 cents to 56.0 cents per gallon. Reformulated gasoline (RFG) prices exceeded conventional gasoline prices by 1.8 cents at retail and 4.2 cents at wholesale. Oxygenated gasoline prices were 6.1 cents and 6.5 cents higher than conventional gasoline prices at retail and wholesale, respectively.
- Total refiner sales of gasoline declined in January, falling 9.4 million gallons per day (2.6 percent), to an average of 353.2 million gallons per day. Retail sales inched up 100,000 gallons per day (0.2 percent),

while wholesales fell 9.5 million gallons per day (3.1 percent). Rack sales accounted for 63.9 percent of wholesales, while DTW and bulk sales made up 23.5 percent and 12.6 percent, respectively. Reformulated gasoline explained 32.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 4.4 percent.

### *No. 2 Distillate*

While the January daily spot price for No. 2 heating oil generally followed the trends seen in other products' prices within the complex, it also responded to ongoing unseasonably warm winter temperatures, especially toward the end of the month. Opening at 54.8 cents per gallon, the price rose to its high of 58.3 cents per gallon on January 4. Gradually declining throughout the rest of the month, the price reached its low of 50.7 cents per gallon on January 30. It closed the month at 52.0 cents per gallon, nearly 3 cents below its opening level.

- January No. 2 distillate prices show a mixture of small changes. The national average residential price for No. 2 distillate increased 1.7 cents to \$1.097 per gallon. The average wholesale price essentially stayed the same, rising 0.1 cent to 56.7 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 1.3 cents, while the average wholesale price decreased 0.2 cent. The difference between low- and high-sulfur diesel fuel prices was 2.2 cents at retail and 1.0 cent at wholesale.
- Refiner sales of No. 2 distillate rose in January. Total sales increased 12.0 million gallons (8.3 percent), to 156.1 million gallons per day. Sales of No. 2 fuel oil stepped up 4.3 million gallons per day (13.1 percent), while sales of No. 2 diesel fuel rose 7.7 million gallons per day (6.9 percent). Low-sulfur diesel fuel made up 84.6 percent of all refiner diesel fuel sales, and 64.5 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

Average refiner prices for residual fuel oil largely rose in January. Prices for low-sulfur residual fuel oil fell 0.4 cent to 50.8 cents per gallon at retail, but rose 0.8 cent to 40.8 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil increased 2.2 cents to 41.9 cents per gallon, while the wholesale price climbed 3.1 cents to 33.7 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price rose

2.8 cents to 50.9 cents per gallon at retail, while the wholesale price fell 0.7 cent to 40.7 cents per gallon. Prices for high-sulfur residual fuel oil increased 1.6 cents to 41.3 cents per gallon at retail, and 1.3 cents to 35.8 cents per gallon at wholesale.

- Total refiner residual fuel oil sales declined in January, falling 3.0 million gallons per day (13.5 percent), to 19.3 million gallons per day. Low-sulfur residual fuel sales rose 200,000 gallons per day (2.2 percent), while high-sulfur residual fuel oil sales fell 3.1 million gallons per day (23.1 percent).

### *Other Products*

- Price trends for the remaining surveyed products were mixed in January. Refiner propane prices de-

clined 2.1 cents per gallon at retail and 0.5 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price rose 0.9 cent per gallon. The average retail price climbed 4.7 cents, but the average wholesale price slipped 0.4 cent. Retail and wholesale prices for kerosene-type jet fuel and aviation gasoline increased, while No. 1 distillate prices declined at both levels. Kerosene prices declined at retail but rose at wholesale, while No. 4 distillate prices did just the opposite.

- Refiner propane sales decreased at both retail and wholesale in January, while sales of kerosene and No. 4 distillate rose at both levels. Sales of aviation gasoline declined at retail but increased at wholesale, while sales of No. 1 distillate did just the reverse. Kerosene-type jet fuel sales were flat at retail and fell at wholesale.